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Raily Aesthetic Medicine International Holdings Limited

瑞麗醫美國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2135)

(1) DISCLOSEABLE TRANSACTION IN RELATION TO ENTERING INTO THE SERVICE AGREEMENT; AND (2) NON-COMPLIANCE OF LISTING RULES

DISCLOSEABLE TRANSACTION IN RELATION TO ENTERING INTO THE SERVICE AGREEMENT

The Board announces that on 5 December 2023, the Service Agreement was entered into between the Company and Youxin, under which Youxin shall facilitate the completion of the Transaction. The principal terms of the Service Agreement are set out below:

Date: 5 December 2023

Parties: (a) the Company; and
(b) Youxin

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Youxin and its ultimate beneficial owners are Independent Third Parties.

Term: For a period of eight months starting from the signing date of the Service Agreement.

Subject Matters: The Services provided by Youxin to the Company include:

- (a) Communicating and negotiating with Suneva and facilitating the signing and completion of the Supply Agreement; and
- (b) Facilitating the Company to become the medical equipment registered agent for Bellafill in the PRC.

- Service Fee: The Service Fee of USD1,300,000 includes:
- (a) A base service fee of USD800,000, to be paid by monthly instalment of USD100,000; and
 - (b) A bonus of USD500,000 payable to Youxin, if the Company:
 - (i) enters into the Supply Agreement with Suneva;
 - (ii) becomes the medical equipment registered agent for Bellafill in the PRC; and
 - (iii) fulfills the obligation to pay for the distribution right under the Supply Agreement.

The Service Fee was determined after arm's length negotiations between the Company and Youxin after taking into consideration, among others, the following factors: (i) the scope and nature of services provided by Youxin and the expected results of services; and (ii) the benefits that would be brought to the Company as a result of the entering into the Service Agreement as described in the paragraph headed "Reasons for and Benefits of entering into the Service Agreement".

The Service Fee for the Services was satisfied by internal resources of the Group.

INFORMATION ON THE PARTIES

The Company

The Company, Raily Aesthetic Medicine International Holdings Limited, is a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the main board of the Stock Exchange (stock code: 2135). The principal activity of the Company is investment holding.

The Group

The principal activities of the Group are provision of aesthetic medical services. The Company's aesthetic medical services principally include (i) aesthetic surgery services, comprising aesthetic surgical procedures performed on various parts of the face or body; (ii) minimally-invasive aesthetic services, primarily comprising aesthetic injection procedures; and (iii) aesthetic dermatology services, primarily comprising various aesthetic energy-based procedures. It is also engaged in aesthetic medical management consulting services and sales of aesthetic medical equipment products.

Youxin

Youxin Management Co., Limited, a company incorporated under the laws of British Virgin Islands, which is principally engaged in business advisory and consultation and investment holding business. As of the date of the Service Agreement, more than 30% of the shareholding in Youxin is held by Mr. Li Wai Chung (李偉忠), a resident of Hong Kong, the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICE AGREEMENT

The Service Agreement serves for Youxin to facilitate and complete the Transaction between the Company and Suneva by providing communication and negotiation service, thereby reducing potential business risks and accelerating the timeline for the Company to secure and complete the Supply Agreement and become the exclusive distributor of Bellafill in the Greater China Region under the Supply Agreement.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Service Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the entering into the Service Agreement exceeds 5% but is less than 25%, the entering into the Service Agreement constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the entering into the Service Agreement is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

NON-COMPLIANCE OF LISTING RULES

Reasons for failure to comply with the requirements of the Listing Rules

Due to inadvertent oversight of the management, the Company failed to report and announce the entering into the Service Agreement. Hence, the entering into the Service Agreement constituted non-compliance of Chapter 14 of the Listing Rules. The Company acknowledges its unintentional non-compliance of the Listing Rules was an oversight and reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance. Responsible staff shall obtain necessary approval and/or consent prior to entering into any agreement that would constitute notifiable transaction for the Company going forward.

Remedial actions

The Company takes the incident seriously. In order to prevent the occurrence of similar non-compliance incident in the future and to comply with the requirements under the Listing Rules on an on-going basis, the Company will (i) enhance regular training on regulatory compliance matters relating to notifiable transactions for responsible staff, including Directors, to ensure that they comprehend the requirements of the Listing Rules; and (ii) review its internal control and compliance system on an annual basis to identify any issues falling short of the standard. The Company would like to stress that the Company will use its best endeavours to carry out necessary measures and appropriate actions to ensure the full compliance with the Listing Rules on an on-going basis.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

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| “Bellafill” | a collagen injection product under the category of Class III medical equipment |
| “Board” | the board of Directors |
| “Company” | Raily Aesthetic Medicine International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 2135) |
| “Director(s)” | the director(s) of the Company |
| “Greater China Region” | includes the PRC, Hong Kong, the Special Administrative Region of Macau and Taiwan |
| “Group” | the Company and its subsidiaries from time to time |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | a party independent of and not connected with the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “Service Agreement” | the agreement dated 5 December 2023 entered into between the Company and Youxin in relation to the rendering of the Services |
| “Service Fee” | service fee of USD1,300,000 for Services provided by Youxin |

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| “Services” | services rendered by Youxin to the Company in respect to the Transaction |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Suneva” | Suneva Medical, Inc., a company organized and existing under the laws of the State of Delaware, United States of America, which is principally engaged in aesthetics product manufacturing and sales business |
| “Supply Agreement” | the supply agreement dated 24 January 2024 entered into between the Company and Suneva in respect to the purchases and sales of Bellafill, the acquisition of exclusive distribution right of Bellafill in the Greater China Region and the acquisition of equity interest in Suneva |
| “Transaction” | transaction as stipulated in the Supply Agreement |
| “USD” | United States dollar, the lawful currency of the United States |
| “Youxin” | Youxin Management Co., Limited, a company incorporated under the laws of British Virgin Islands, which is principally engaged in business advisory and consultation |
| “%” | Per cent |

By order of the Board
Raily Aesthetic Medicine International Holdings Limited
Mr. Fu Haishu
Chairman

Hangzhou, the PRC, 15 November 2024

As at the date of this announcement, the Board comprises Mr. Fu Haishu, Mr. Song Jianliang and Mr. Wang Ying as Executive Directors; and Mr. Cao Dequan, Ms. Yang Xiaofen and Mr. Liu Teng as Independent Non-executive Directors.